

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

March 2, 2011

#3739
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TO: Internal File

THRU: April Abate, En Sci III, Reclamation Hydrologist, Team Lead
Jim Smith, En Sci III, Permit Supervisor, Task Manager

UAA
3/11/2011
JS 03/10/11

FROM: Peter Hess, En Sci III, Inspector, Review of Reclamation Cost Estimate

PHH by SHS

RE: CONSTRUCTION OF WEST LEASE PORTALS, Canyon Fuel Company, LLC, SUFCO Mine, C/041/002, Task ID # 3739

SUMMARY:

The Permittee submitted an application to the Division on February 14, 2011 to construct three new portals at the north end of East Spring Canyon to access coal reserves known as the West Lease. In order to do this, the Permittee must re-route the surface flows from Mud Spring Hollow and East Spring Canyon beneath the surface facilities pad. Two reinforced concrete box portals #1 Portal (West lease belt entry @ 380 feet) and #2 Portal (West lease main haulage @ 270 feet) will be constructed below the elevation of the existing pad. A third portal, to be known as the West Lease secondary haulage, will intercept the surface about 30 feet west of the East Spring Canyon ventilation fan facility. In order to convey the coal, a new 72 inch conveyor will be installed in the #1 portal entry, intersecting the tippel building 380 feet down canyon.

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

General

The new portal facilities will require an increase in the reclamation cost for demolition of \$ 68,155.00. The Permittee will reduce the currently approved reclamation

cost estimate for demolition by \$ 24,487.00, leaving a net gain in the demolition cost for the new facilities of \$ 43,668.00.

This net increase in the demolition phase of the reclamation cost estimate will not require that the Permittee post an additional reclamation bond amount. The posted bond of \$ 2,874,000 is \$ 505,000 more than the adjusted, escalated reclamation cost for Task ID # 3739 (See page 1, Total Required Bond Amount, SUFCO Mine Task ID # 3739).

Form of Bond

The type of bond held by the Division to ensure the reclamation of all of the disturbed areas of the SUFCO Mine is a surety bond, issued by the Argonaut Insurance Company. This surety has an A.M. Best rating of "A", as of December 31, 2010.

Determination of Bond Amount

The amount of reclamation bond currently posted is \$ 2, 874,000.00. This amount was approved by the midterm permit review, Task ID # 3464 on June 21, 2010.

The Permittee submitted updated reclamation cost estimates for the following new facilities;

- 1) demolition of Covered Storage / Page 10 of 64
- 2) removal of Mud Spring Hollow undisturbed by-pass culvert and East spring Canyon undisturbed by-pass culvert / Page 12 of 64
- 3) demolition of lump coal storage / Page 20 of 64
- 4) demolition of pulley racks / Page 25 of 64
- 5) demolition of salt and sand storage / Page 32 of 64
- 6) demolition of shelves / Page 36
- 7) demolition of stoker coal storage / Page 44.

These cost estimates sheet have been reviewed by the Division and updated using 2011 R.S. Means Heavy Construction Cost Data information.

The Division has determined that the new reclamation cost for the West Lease Portals (escalated to 2015, the date of the next midterm review) is \$ 2,369,000.00, (See page 1, SUFCO Mine Task ID # 3739, Total Required Bond Amount). This amount is 17.5 % less than the 2009 posted bond amount of \$ 2,874,000.00. Therefore the posted bond is sufficient to reclaim the new facilities.

Terms and Conditions for Liability Insurance

The Permittee maintains general liability insurance coverage through the National Union Fire Insurance Company, Pittsburgh, Pennsylvania. The policy provides coverage for damage incurred from the use of explosives. The coverage amounts for general

aggregate and each occurrence exceed the requirements established by R645-301-890.100. All other insurance requirements are met by the current policy which is in place.

Findings:

Task ID # 3739 meets the requirements of the R645 Coal Mining Rules and it should be approved by the Division.

RECOMMENDATION:

The Division should approve Task ID # 3739, such that Canyon Fuel Company can initiate construction on the new West Lease Portals.

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